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TYRONE TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2004

RECEIVED
DEPT. OF TREASURY

AUG 23 2004 ✓

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LOCAL GOVT. & FINANCE DIV.

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Tyrone Township	County Kent
Audit Date 6/14/04	Opinion Date 6/14/04	Date Accountant Report Submitted to State: 8/1/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the comments and recommendations

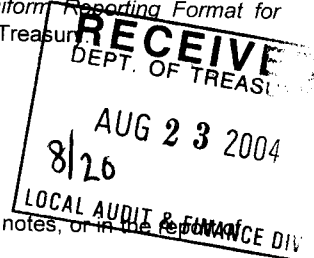
You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hungerford, Aldrin, Nichols & Carter, P.C.			
Street Address 2910 Lucerne Drive SE		City Grand Rapids	State MI
Accountant Signature <i>Hungerford, Aldrin, Nichols & Carter, P.C.</i>		ZIP 49546	Date Aug. 19, 2004



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For the year ended March 31, 2004

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FINANCIAL SECTION

Hungerford, Aldrin, Nichols & Carter, PC

CPAs AND CONSULTANTS

Shareholder

Clifford A. Aldrin, CPA
Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Richard L. Chrisman, CPA
Peggy A. Murphy, CPA
Phillip W. Sauman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA

INDEPENDENT AUDITOR'S REPORT

June 14, 2004

The Township Board
Tyrone Township
Kent County, Michigan

We have audited the accompanying general purpose financial statements of Tyrone Township as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the elected officials and management of Tyrone Township. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of general fixed assets and, accordingly, a statement of general fixed assets that, in our opinion, is required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except for the effect on the general purpose financial statements of the omission of general fixed assets, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Tyrone Township as of March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental information and other information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Tyrone Township. The information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants



Member
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Network International

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GENERAL PURPOSE FINANCIAL STATEMENTS

TYRONE TOWNSHIP
Combined Balance Sheet - All Fund Types and Account Group
March 31, 2004

Assets	Governmental Fund Types		Fiduciary Fund Type	Account Group
	General	Special Revenue	Agency	General Long-Term Debt
Cash (Note C)	\$ 2,049	\$ 3,662	\$ 27,674	\$ -
Deposits (Note C)	94,973	36,527	1,365	-
Investments (Note C)	340,340	43,104	-	-
Taxes receivable (Note D)	9,834	7,968	-	-
Accounts receivable	-	-	30	-
Due from other funds (Note E)	7,806	-	-	-
Due from other governmental units (Note F)	28,430	-	649	-
Amount to be provided for retirement of general long-term debt	-	-	-	32,941
Total Assets	\$ 483,432	\$ 91,261	\$ 29,718	\$ 32,941
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 11,793	\$ -	\$ 2,478	\$ -
Escrow deposits	-	-	9,707	-
Due to other funds (Note E)	-	2,494	5,312	-
Due to other governmental units	-	-	12,221	-
Loan payable (Note G)	-	-	-	32,941
Total Liabilities	11,793	2,494	29,718	32,941
Fund Equity				
Fund balances:				
Reserved for fire department	-	88,767	-	-
Unreserved:				
Undesignated	471,639	-	-	-
Total Fund Balances	471,639	88,767	-	-
Total Liabilities and Fund Equity	\$ 483,432	\$ 91,261	\$ 29,718	\$ 32,941

The notes to financial statements are an integral part of this statement.

Totals (Memorandum Only)	
2004	2003
\$ 33,385	\$ 10,438
132,865	215,017
383,444	375,351
17,802	18,099
30	-
7,806	8,817
29,079	37,020
<u>32,941</u>	<u>134,775</u>
<u>\$ 637,352</u>	<u>\$ 799,517</u>

\$ 14,271	\$ 3,366
9,707	1,161
7,806	8,817
12,221	4,298
<u>32,941</u>	<u>134,775</u>
<u>76,946</u>	<u>152,417</u>

88,767	73,820
<u>471,639</u>	<u>573,280</u>
<u>560,406</u>	<u>647,100</u>
<u>\$ 637,352</u>	<u>\$ 799,517</u>

TYRONE TOWNSHIP
Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Fund Types
For the year ended March 31, 2004

	General	Special Revenue	Totals (Memorandum Only)	
			2004	2003
Revenues				
Taxes	\$ 119,925	\$ 87,946	\$ 207,871	\$ 196,997
Licenses and permits	30,080	-	30,080	25,112
State sources	213,928	-	213,928	234,202
Federal sources	-	-	-	914
Charges for services	10,239	-	10,239	11,602
Interest and rentals	10,451	591	11,042	19,981
Other revenue	4,098	580	4,678	8,715
Total Revenues	388,721	89,117	477,838	497,523
Expenditures				
Current:				
Legislative	3,000	-	3,000	2,280
General government	181,174	-	181,174	180,861
Public safety	48,829	81,552	130,381	123,371
Public works	106,964	-	106,964	147,962
Recreational and cultural	5,623	-	5,623	4,496
Other township	28,330	-	28,330	26,379
Capital outlay	3,500	-	3,500	-
Debt service:				
Principal repayment	101,834	-	101,834	18,359
Interest expense	3,726	-	3,726	7,201
Total Expenditures	482,980	81,552	564,532	510,909
Excess (Deficiency) of Revenues Over Expenditures	(94,259)	7,565	(86,694)	(13,386)
Fund Balances, April 1	565,898	81,202	647,100	660,486
Fund Balances, March 31	\$ 471,639	\$ 88,767	\$ 560,406	\$ 647,100

The notes to financial statements are an integral part of this statement.

TYRONE TOWNSHIP
Combined Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - General and Special Revenue Fund Types
For the year ended March 31, 2004

	General Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 113,450	\$ 119,925	\$ 6,475
Licenses and permits	25,050	30,080	5,030
State sources	230,000	213,928	(16,072)
Charges for services	12,550	10,239	(2,311)
Interest and rentals	10,200	10,451	251
Other revenue	3,800	4,098	298
Total Revenues	<u>395,050</u>	<u>388,721</u>	<u>(6,329)</u>
Expenditures			
Current:			
Legislative	3,000	3,000	-
General government	199,390	181,174	18,216
Public safety	50,800	48,829	1,971
Public works	239,200	106,964	132,236
Recreation and cultural	5,140	5,623	(483)
Other township	29,550	28,330	1,220
Capital outlay	-	3,500	(3,500)
Debt service:			
Principal repayment	119,000	101,834	17,166
Interest expense	8,000	3,726	4,274
Total Expenditures	<u>654,080</u>	<u>482,980</u>	<u>171,100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(259,030)</u>	<u>(94,259)</u>	<u>164,771</u>
Fund Balances, April 1	<u>565,898</u>	<u>565,898</u>	<u>-</u>
Fund Balances, March 31	<u>\$ 306,868</u>	<u>\$ 471,639</u>	<u>\$ 164,771</u>

The notes to financial statements are an integral part of this statement.

Special Revenue Fund		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ 100,700	\$ 87,946	\$ (12,754)
-	-	-
-	-	-
-	-	-
500	591	91
500	580	80
101,700	89,117	(12,583)
-	-	-
-	-	-
182,900	81,552	101,348
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
182,900	81,552	101,348
(81,200)	7,565	88,765
81,202	81,202	-
<u>\$ 2</u>	<u>\$ 88,767</u>	<u>\$ 88,765</u>

NOTES TO FINANCIAL STATEMENTS

TYRONE TOWNSHIP
Notes to Financial Statements
March 31, 2004

Note A – Description of the Township

Tyrone Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Board of Trustees which consists of a Supervisor, Clerk, Treasurer and two Trustees, each of whom is elected for a four year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

Note B – Summary of Significant Accounting Policies

The Reporting Entity

The financial statements of Tyrone Township contain all of the funds and account groups that are controlled by, or dependent on, the Township's executive or legislative branches. Control by, or dependence on, the Township was determined on the basis of appointment of the governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds and the ability to significantly influence operations and primary financial responsibility for fiscal matters.

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate. Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad fund categories and three generic fund types as follows:

Governmental Funds

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Fire Department Special Revenue Fund is the Township's only such fund.

Fiduciary Funds

Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include tax monies, dog licenses and trailer fees collected for the Township and other local governmental units. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Tax Account Agency Fund is the Township's only such fund.

TYRONE TOWNSHIP
Notes to Financial Statements
March 31, 2004

Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund types of a Township are recorded in the General Fixed Assets Account Group at cost, or estimated historical cost, if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the General Fixed Assets Account Group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain ("infrastructure") general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

Since the Township has not maintained a record of general fixed assets, a General Fixed Assets Account Group is not included in the financial statements.

Long-Term Liabilities

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include real property taxes and charges for services. Most State source revenues (income taxes, sales taxes), licenses and permits, local intergovernmental and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with expendable available financial resources.

TYRONE TOWNSHIP
Notes to Financial Statements
March 31, 2004

Budgets and Budgetary Accounting

The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The Township General and Special Revenue Fund is under budgetary control as required by the Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan.
- The budgets are generated with input from the Township Supervisor, Clerk, Treasurer and Township Trustees.
- The completed budgets are then presented to Township electors at a public budget hearing in March, at which time taxpayer comments and recommendations are heard. The operating budgets include proposed expenditures and the means of financing them.
- At the first public meeting in April the budgets are legally enacted on a departmental (activity) basis through passage of a resolution.
- Appropriations are authorized by resolution at the department level. This is the legal level of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets.
- Budgets are adopted on a basis consistent with generally accepted accounting principles.
- The budgets may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General Fund budget was amended during the year. The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

TYRONE TOWNSHIP
Notes to Financial Statements
March 31, 2004

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Township's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note C – Cash, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- In United States government or federal obligation repurchase agreements.
- In bankers' acceptances of United States banks.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- In surplus funds investment pools.

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Valley Ridge Bank
2. Kent County Local Government Investment Pool.

TYRONE TOWNSHIP
Notes to Financial Statements
March 31, 2004

Balances at March 31, 2004 related to cash, deposits and investments are detailed on the combined balance sheet as follows:

Cash	\$ 33,385
Deposits	132,865
Investments	<u>383,444</u>
	<u>\$ 549,694</u>

Cash consists of cash on hand and bank checking accounts. Deposits consist of bank interest earning savings and money market accounts. Investments consist of monies at the Kent County Local Government Investment Pool.

Cash and Deposits

Cash and deposits at March 31, 2004, as shown by carrying amount and bank balance, and classified by categories of credit risk, are itemized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC	\$ 100,000	\$ 100,000
Uninsured:		
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging bank or its trust department or agent but not in the Township's name.)	<u>66,250</u>	<u>89,048</u>
	<u>\$ 166,250</u>	<u>\$ 189,048</u>

Investments

The Kent County Local Government Investment Pool consists of monies advanced for investment with accounts established in the Township's name within the pool. Interest earnings from the subsequent reinvestment of the pooled funds are credited to the Township on a pro-rata basis in relation to its percentage of deposits in the pool. These investments, with fair market value which approximates cost, are not categorized because participation in such funds does not result in direct ownership of individual securities, but rather shares. However, the investments of the pool are classified as Risk Level 1 because these investments are held by the Fund or its agent in the name of the fund.

Note D – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes become due and payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

TYRONE TOWNSHIP
Notes to Financial Statements
March 31, 2004

Property tax revenues are recognized by the Township in the General and Fire Department Special Revenue Funds in the fiscal year levied, to the extent they are measurable and available. The 2003 property tax roll levied December 1, 2003, represents revenue for the fiscal year ended March 31, 2004.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Grand Rapids Community College, Kent and Newaygo Intermediate School Districts, Grant Public Schools, Kent City Community Schools and Sparta Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to effect of the Headlee Amendment, actual tax levies were reduced to 1.0039 mills for 2003-04 general operations.

In addition, Township electors have authorized and the Township levied an additional .9785 mills for 2003-04 fire department operations.

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2003	2002	2001	2000
Township taxes levied	\$176,021	\$169,570	\$158,618	\$147,710
Taxes collected:				
Current to March 1	159,374	151,761	143,092	133,070
Total to March 31, 2004	159,374	169,010	158,404	147,658
Percentages of collections:				
Current to March 1	90.54%	89.50%	90.21%	90.09%
Total to March 31, 2004	90.54%	99.67%	99.86%	99.96%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon Taxable Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2004 valuations in the following summary:

Year	Real	Personal	Total
2004	\$ 88,604,018	\$ 5,983,100	\$ 94,587,118
2003	83,734,936	5,692,800	89,427,736
2002	78,936,459	6,205,800	85,142,259
2001	73,378,039	5,720,000	79,098,039
2000	68,893,161	4,504,700	73,397,861
1999	64,755,769	4,751,200	69,506,969
1998	61,464,718	5,682,500	67,147,218
1997	57,947,020	5,262,100	63,209,120
1996	54,050,880	5,048,395	59,099,275
1995	50,848,540	4,747,808	55,596,348

TYRONE TOWNSHIP
Notes to Financial Statements
March 31, 2004

Note E – Due From (To) Other Funds

Amounts due from (to) other funds representing interfund receivable and payable balances to correct allocations of property tax collections at March 31, 2004 are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Fire Special Revenue Fund	\$ 2,494	\$ —
Tax Account Agency Fund	5,312	—
	7,806	—
Fire Special Revenue Fund:		
General Fund	—	2,494
Tax Account Agency Fund		
General Fund	—	5,312
Total All Funds	<u>\$ 7,806</u>	<u>\$ 7,806</u>

Note F – Due From Other Governmental Units

The receivable of \$28,430 in the General Fund represents 2003-04 State of Michigan sales tax collections paid to the Township subsequent to March 31, 2004.

Note G – Changes in General Long-Term Debt

The following is a summary of general long-term debt transactions of the Township for the year ended March 31, 2004:

	<u>Debt Outstanding</u> <u>April 1, 2003</u>	<u>Debt</u> <u>Added</u>	<u>Debt</u> <u>Retired</u>	<u>Debt Outstanding</u> <u>March 31, 2004</u>
Loan payable	\$ 134,775	\$ —	\$ 101,834	\$ 32,941

General long-term debt payable at March 31, 2004 is comprised of the following component:

Loan payable:

\$200,000 Township Hall purchase loan dated May 14, 1999, payable in monthly installments of \$2,130 through May 14, 2004 at which time the balance is due; interest at 5.00%

\$ 32,941

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TYRONE TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Cash		
Deposits	\$ 2,049	\$ 4,932
Investments	94,973	144,702
Taxes receivable	340,340	370,344
Due from other funds	9,834	10,247
Due from other governmental units	7,806	8,418
	<u>28,430</u>	<u>33,751</u>
Total Assets	<u><u>\$ 483,432</u></u>	<u><u>\$ 572,394</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable		
Due to other funds	\$ 11,793	\$ 2,299
Due to other governmental units	-	224
	<u>-</u>	<u>3,973</u>
Total Liabilities	<u>11,793</u>	<u>6,496</u>
Fund Balances		
Unreserved:		
Undesignated	<u>471,639</u>	<u>565,898</u>
Total Liabilities and Fund Balances	<u><u>\$ 483,432</u></u>	<u><u>\$ 572,394</u></u>

TYRONE TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004			2003
	Budget	Actual	Variance- Favorable (Unfavorable)	Actual
Revenues				
Taxes:				
Current property taxes	\$ 90,000	\$ 88,265	\$ (1,735)	\$ 84,399
Industrial facilities taxes	100	93	(7)	96
Delinquent property taxes	1,000	2,114	1,114	54
Trailer fees	1,200	1,073	(127)	968
Penalties and interest on taxes	150	799	649	832
Property tax administration fees	21,000	27,581	6,581	27,207
	113,450	119,925	6,475	113,556
Licenses and permits:				
Building, electrical and plumbing permits	25,000	29,993	4,993	25,012
Dog licenses	50	87	37	100
	25,050	30,080	5,030	25,112
State sources:				
Sales taxes	230,000	212,968	(17,032)	234,202
Charges for services:				
Zoning and appeals fees	2,000	2,450	450	1,625
Summer tax collection fees	6,950	4,828	(2,122)	6,566
Parcel split fees	600	400	(200)	700
Sale of cemetery lots	3,000	2,561	(439)	2,711
	12,550	10,239	(2,311)	11,602
Interest and rentals:				
Interest on deposits and investments	8,700	7,876	(824)	17,070
Rentals	1,500	2,575	1,075	2,050
	10,200	10,451	251	19,120
Other revenue:				
Library reimbursements	2,900	2,923	23	3,654
Refunds of expenditures	-	414	414	910
Miscellaneous	900	761	(139)	751
	3,800	4,098	298	5,315
Total Revenues	395,050	387,761	(7,289)	408,907

(Continued)

TYRONE TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2004
With comparative actual amounts for the year ended March 31, 2003

	2004		Variance- Favorable (Unfavorable)	2003
	Budget	Actual		Actual
Expenditures				
Current:				
Legislative:				
Township board	\$ 3,000	\$ 3,000	\$	\$ 2,280
General government:				
Supervisor	19,025	18,401	624	17,872
Elections	1,950	299	1,651	2,628
Assessor	31,000	29,852	1,148	27,304
Legal and audit	11,000	9,232	1,768	10,010
Clerk	18,665	18,532	133	18,013
Board of review	900	576	324	681
General administration	39,500	39,152	348	34,444
Treasurer	24,650	27,136	(2,486)	24,050
Buildings and grounds	24,250	30,206	(5,956)	28,681
Cemetery	28,450	7,788	20,662	17,178
Total general government	199,390	181,174	18,216	180,861
Public safety:				
Law enforcement	-	4,219	(4,219)	-
Inspections	46,200	42,887	3,313	34,383
Planning	4,600	1,723	2,877	7,754
Total public safety	50,800	48,829	1,971	42,137
Public works:				
Highways, streets and bridges	238,000	105,976	132,024	146,878
Street lighting	1,200	988	212	1,084
Total public works	239,200	106,964	132,236	147,962
Recreation and cultural:				
Library	5,140	5,623	(483)	4,496
Other township	29,550	28,330	1,220	26,379
Capital outlay	-	3,500	(3,500)	-
Debt service	127,000	105,560	21,440	25,560
Total Expenditures	<u>654,080</u>	<u>482,980</u>	<u>171,100</u>	<u>429,675</u>
Excess (Deficiency) of Revenues Over Expenditures	(259,030)	(95,219)	163,811	(20,768)
Fund Balances, April 1	<u>565,898</u>	<u>565,898</u>	-	<u>586,666</u>
Fund Balances, March 31	<u>\$ 306,868</u>	<u>\$ 470,679</u>	<u>\$ 163,811</u>	<u>\$ 565,898</u>

TYRONE TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	2004	2003
Current:		
Legislative:		
Township board:		
Salaries	\$ 3,000	\$ 2,280
General government:		
Supervisor:		
Salary	18,000	17,500
Travel and expense	371	316
Dues and memberships	-	50
Miscellaneous	30	6
	<u>18,401</u>	<u>17,872</u>
Elections:		
Salaries	-	1,514
Office supplies	133	609
Travel and expenses	-	15
Repair and maintenance	166	490
	<u>299</u>	<u>2,628</u>
Assessor:		
Salary	26,000	25,000
Office supplies	3,779	2,304
Travel and expense	73	-
	<u>29,852</u>	<u>27,304</u>
Legal and audit:		
Legal fees	1,432	3,510
Audit fees	7,800	6,500
	<u>9,232</u>	<u>10,010</u>
Clerk:		
Salary	18,000	17,500
Office supplies	315	170
Contracted services	-	83
Travel and expenses	46	23
Dues and memberships	15	15
Miscellaneous	156	222
	<u>18,532</u>	<u>18,013</u>
Board of review:		
Salaries	496	572
Miscellaneous	80	109
	<u>576</u>	<u>681</u>
General administration:		
Clerical salaries	20,356	20,310
Office supplies	6,884	3,107
Telephone	7,874	7,498
Legal notices and publications	1,100	1,681
Dues and memberships	1,850	1,721
Miscellaneous	1,088	127
	<u>39,152</u>	<u>34,444</u>

(Continued)

TYRONE TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Treasurer:		
Salaries:		
Treasurer	\$ 18,000	\$ 17,500
Deputy	125	824
Office supplies	8,841	5,504
Travel and expenses	38	80
Dues and memberships	50	50
Miscellaneous	82	92
	<u>27,136</u>	<u>24,050</u>
Buildings and grounds:		
Custodian salary	4,200	4,100
Travel and expenses	-	18
Utilities	7,181	8,822
Repair and maintenance	2,265	3,429
Snow plowing	359	452
Miscellaneous	-	1,114
Building improvements	14,395	9,590
New equipment	1,806	1,156
	<u>30,206</u>	<u>28,681</u>
Cemetery:		
Sexton salary	4,667	5,330
Gasoline and oil	308	265
Utilities	75	66
Repair and maintenance	1,813	4,952
Snow plowing	-	35
Land improvements	675	6,530
New equipment	250	-
	<u>7,788</u>	<u>17,178</u>
Total general government	<u>181,174</u>	<u>180,861</u>
Public safety:		
Law enforcement:		
Kent County sheriff patrol	4,219	-
Inspections:		
Salaries:		
Building inspector	26,120	20,167
Electrical inspector	6,450	5,617
Plumbing inspector	6,570	7,093
Office supplies	734	122
Travel and expense	1,994	895
Education	529	82
Dues and memberships	490	407
	<u>42,887</u>	<u>34,383</u>
Planning and zoning:		
Planning commission fees	462	840
Board of appeals fees	170	1,000
Contracted services	1,091	5,914
	<u>1,723</u>	<u>7,754</u>
Total public safety	<u>48,829</u>	<u>42,137</u>

(Continued)

TYRONE TOWNSHIP
General Fund
Comparative Statement of Expenditures
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Public works:		
Highways, streets and bridges:		
Road construction	\$ 96,435	\$ 132,726
Dust layer	<u>9,541</u>	<u>14,152</u>
	105,976	146,878
Street lighting:		
Utilities	<u>988</u>	<u>1,084</u>
Total public works	<u>106,964</u>	<u>147,962</u>
Recreation and cultural:		
Library:		
Office supplies	207	-
Utilities	3,306	3,511
Repair and maintenance	1,480	355
Miscellaneous	<u>630</u>	<u>630</u>
Total recreation and cultural	5,623	4,496
Other township:		
Social Security taxes	11,659	11,078
Insurance and bonds	7,380	5,865
Rubbish removal	9,264	9,352
Miscellaneous	-	40
Tax refunds	<u>27</u>	<u>44</u>
Total other township	28,330	26,379
Capital outlay:		
Furniture and equipment	3,500	-
Debt service:		
Principal repayment	101,834	18,359
Interest expense	<u>3,726</u>	<u>7,201</u>
Total debt service	<u>105,560</u>	<u>25,560</u>
Total Expenditures	<u><u>\$ 482,980</u></u>	<u><u>\$ 429,675</u></u>

SPECIAL REVENUE FUND

Fire — to account for property tax revenues and interest earnings used for fire department operations.

TYRONE TOWNSHIP
Fire Special Revenue Fund
Comparative Balance Sheet
March 31, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Cash	\$ 3,662	\$ 1,409
Deposits	36,527	68,949
Investments	43,104	5,007
Taxes receivable	<u>7,968</u>	<u>7,852</u>
Total Assets	<u><u>\$ 91,261</u></u>	<u><u>\$ 83,217</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	<u>\$ 2,494</u>	<u>\$ 2,015</u>
Fund Balances		
Reserved for fire department	<u>88,767</u>	<u>81,202</u>
Total Liabilities and Fund Balances	<u><u>\$ 91,261</u></u>	<u><u>\$ 83,217</u></u>

TYRONE TOWNSHIP
Fire Special Revenue Fund
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003.</u>
Revenues		
Taxes:		
Current property taxes	\$ 87,252	\$ 83,272
Delinquent property taxes	603	76
Industrial facilities taxes	91	93
Total taxes	<u>87,946</u>	<u>83,441</u>
Federal sources:		
FEMA reimbursement	-	914
Interest and rentals:		
Interest on deposits and investments	591	861
Other revenue:		
Sale of assets	-	2,000
Contributions	-	1,000
Miscellaneous	580	400
Total other revenue	<u>580</u>	<u>3,400</u>
Total Revenues	<u>89,117</u>	<u>88,616</u>
Expenditures		
Current:		
Public safety:		
Fire department:		
Salaries:		
Fire chief, assistants	7,603	4,000
Firefighters	24,971	27,630
Social Security taxes	2,492	2,421
Supplies	12,945	8,196
Gas and oil	964	902
Physical examinations	120	-
Kent County EMS	375	556
County fire assessment	12,412	7,675
Telephone	730	660
Education	525	755
Insurance and bonds	4,815	5,027
Utilities	5,073	5,278
Dues and memberships	201	108
Miscellaneous	664	642
Building improvements	-	1,950
New equipment	7,662	15,434
Total Expenditures	<u>81,552</u>	<u>81,234</u>
Excess of Revenues Over Expenditures	7,565	7,382
Fund Balances, April 1	<u>81,202</u>	<u>73,820</u>
Fund Balances, March 31	<u><u>\$ 88,767</u></u>	<u><u>\$ 81,202</u></u>

AGENCY FUNDS

Cash Bond Agency—to account for the collection of bonds and deposits and payment to the contractors or other persons entitled to receive these funds.

Tax Account Agency—to account for the collection of current and delinquent property taxes, dog licenses and trailer fees and payment to the governmental units, funds or other persons entitled to receive these funds.

TYRONE TOWNSHIP
Agency Funds
Combining Balance Sheet
March 31, 2004
With comparative totals for March 31, 2003

Assets	Agency		Totals	
	Cash Bond	Tax Account	2004	2003
Cash	\$ 9,707	\$ 17,967	\$ 27,674	\$ 4,097
Deposits	-	1,365	1,365	1,366
Accounts receivable	-	30	30	-
Due from other governmental units	-	649	649	3,269
Due from other funds	-	-	-	399
Total Assets	<u>\$ 9,707</u>	<u>\$ 20,011</u>	<u>\$ 29,718</u>	<u>\$ 9,131</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 2,478	\$ 2,478	\$ 1,067
Due to other funds	-	5,312	5,312	6,578
Due to other governmental units	-	12,221	12,221	325
Escrow deposits	9,707	-	9,707	1,161
Total Liabilities	<u>9,707</u>	<u>20,011</u>	<u>29,718</u>	<u>9,131</u>
Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 9,707</u>	<u>\$ 20,011</u>	<u>\$ 29,718</u>	<u>\$ 9,131</u>

TYRONE TOWNSHIP
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended March 31, 2004

	Balances April 1, 2003	Additions	Deductions	Balances March 31, 2004
<u>Cash Bond Fund</u>				
Assets				
Cash	\$ 1,161	\$ 24,046	\$ 15,500	\$ 9,707
Liabilities				
Escrow deposits	\$ 1,161	\$ 24,046	\$ 15,500	\$ 9,707
<u>Tax Account Fund</u>				
Assets				
Cash	\$ 2,936	\$ 2,797,035	\$ 2,782,004	\$ 17,967
Deposits	1,366	2,693,163	2,693,164	1,365
Accounts receivable	-	30	-	30
Due from other funds	399	-	399	-
Due from other governmental units	3,269	-	2,620	649
Total Assets	<u>\$ 7,970</u>	<u>\$ 5,490,228</u>	<u>\$ 5,478,187</u>	<u>\$ 20,011</u>
Liabilities				
Accounts payable	\$ 1,067	\$ 15,726	\$ 14,315	\$ 2,478
Due to other funds	6,578	190,951	192,217	5,312
Due to other governmental units	325	2,516,755	2,504,859	12,221
Total Liabilities	<u>\$ 7,970</u>	<u>\$ 2,723,432</u>	<u>\$ 2,711,391</u>	<u>\$ 20,011</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash	\$ 4,097	\$ 2,821,081	\$ 2,797,504	\$ 27,674
Deposits	1,366	2,693,163	2,693,164	1,365
Accounts receivable	-	30	-	30
Due from other funds	399	-	399	-
Due from other governmental units	3,269	-	2,620	649
Total Assets	<u>\$ 9,131</u>	<u>\$ 5,514,274</u>	<u>\$ 5,493,687</u>	<u>\$ 29,718</u>
Liabilities				
Accounts payable	\$ 1,067	\$ 15,726	\$ 14,315	\$ 2,478
Due to other funds	6,578	190,951	192,217	5,312
Due to other governmental units	325	2,516,755	2,504,859	12,221
Escrow deposits	1,161	24,046	15,500	9,707
Total Liabilities	<u>\$ 9,131</u>	<u>\$ 2,747,478</u>	<u>\$ 2,726,891</u>	<u>\$ 29,718</u>

TYRONE TOWNSHIP
Tax Account Agency Fund
Statement of Cash Receipts and Disbursements
For the year ended March 31, 2004

Cash and Deposits, April 1, 2003

\$ 4,302

Cash Receipts

Current and delinquent taxes, penalties and
interest, and dog licenses and trailer fees
Interest on deposits

\$ 2,725,581
840 2,726,421

Total Available Balances

2,730,723

Cash Disbursements

Current ad valorem tax collections:

Kent County:

Operating

\$ 423,961

State education tax

425,521

Kent District Library

70,568

Kent Intermediate School District

320,773

Newaygo Intermediate School District

2,410

Grand Rapids Community College

148,960

Grant Public Schools

3,270

Kent City Community Schools

1,073,790

Sparta Area Schools

2,190

Tyrone Township:

Operating

80,091

Fire protection

79,283

Tax administration fees

26,183

2,657,000

Industrial facilities taxes:

Kent County:

Operating

494

Kent District Library

81

Kent Intermediate School District

353

Grand Rapids Community College

166

Tyrone Township:

Operating

93

Fire protection

91

1,278

Interest and penalties:

State of Michigan

944

Kent Intermediate School District

716

Grand Rapids Community College

337

Kent City Community Schools

1,219

Sparta Area Schools

4

Tyrone Township

799

4,019

Trailer fees:

Kent County:

Operating

641

State education tax

2,562

Tyrone Township

641

3,844

(Continued)

TYRONE TOWNSHIP
Tax Account Agency Fund
Statement of Cash Receipts and Disbursements
For the year ended March 31, 2004

Delinquent personal property taxes and interest:			
Kent County:			
Operating	\$	3,335	
State education tax		1,883	
Kent District Library		550	
Kent City Community Schools		8,373	
Tyrone Township		<u>2,016</u>	
			\$ 16,157
Interest earned - General Fund			3,019
Village of Kent City – DDA Funds			10,101
Dog licenses			1,658
Refunds			<u>14,315</u>
			\$ 2,711,391
Cash and Deposits, March 31, 2004			<u><u>\$ 19,332</u></u>

OTHER INFORMATION

TYRONE TOWNSHIP
Schedule of Deposits and Investments
March 31, 2004

General Fund

Valley Ridge Bank:		
Savings Account	\$	94,973
Kent County Local Government		
Investment Pool		<u>340,340</u>
Total General Fund	\$	435,313

Special Revenue Fund

Fire Fund:		
Valley Ridge Bank:		
Savings Account		36,527
Kent County Local Government		
Investment Pool		<u>43,104</u>
Total Special Revenue Fund		79,631

Agency Fund

Tax Account Fund:		
Valley Ridge Bank:		
Savings Account		<u>1,365</u>
Total All Funds	\$	<u><u>516,309</u></u>

TYRONE TOWNSHIP
Summary of 2003 Taxes Levied and Collected
For the year ended March 31, 2004

<u>Ad Valorem Taxes</u>	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections*</u>
Kent County	\$89,427,736	5.31400	\$ 475,209	\$ 44,626	\$ 430,583
Kent District Library	89,427,736	0.87090	77,882	7,314	70,568
State Education Tax		5.00000			
Grant Public Schools	444,202		2,221	0	2,221
Kent City Community Schools	88,619,477		443,093	21,974	421,119
Sparta Area Schools	436,097		2,181	0	2,181
Total State Education Tax			447,495	21,974	425,521
School Districts					
Kent Intermediate School District	89,055,574	3.79030	337,538	16,492	321,046
Newaygo Intermediate School District	444,202	5.75410	2,556	146	2,410
Grand Rapids Community College	89,055,574	1.78650	159,088	7,773	151,315
Grant Public Schools:					
Other	444,202	7.46000	3,314	190	3,124
Operating	28,785	18.00000	518	372	146
Kent City Community Schools:					
Other	88,619,477	9.22840	816,259	58,054	758,205
Operating	18,453,902	17.45100	332,168	16,251	315,917
Sparta Area Schools:					
Other	436,097	4.61520	2,012	284	1,728
Operating	26,067	17.70840	462	0	462
Total School Districts			1,653,915	99,562	1,554,353
Tyrone Township	89,427,736				
Operating		1.00390	89,772	8,430	81,342
Fire protection		0.97850	87,500	8,217	79,283
Tax administration fees			27,910	1,726	26,184
Total Tyrone Township			205,182	18,373	186,809
Total Ad Valorem Taxes			<u>\$2,859,683</u>	<u>\$ 191,849</u>	<u>\$2,667,834</u>

(Continued)

TYRONE TOWNSHIP
Summary of 2003 Taxes Levied and Collected
For the year ended March 31, 2004

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections*</u>
<u>Tax Abatements</u>					
Industrial Facilities Taxes (PA 198) New \$ 185,999					
Kent County		2.65700	\$ 494	\$ -	\$ 494
Kent District Library		0.43545	81		81
State Education Tax					
Kent City Community Schools		2.50000	930		930
School Districts					
Kent Intermediate School District		1.89515	353		353
Grand Rapids Community College		0.89325	166		166
Kent City Community Schools:					
Other		4.61420	857		857
Operating		8.72550	1,674		1,674
Tyrone Township					
Operating		0.50195	93		93
Fire protection		0.48925	91		91
Total Industrial Facilities Taxes			<u>\$ 4,739</u>	<u>\$ -</u>	<u>\$ 4,739</u>

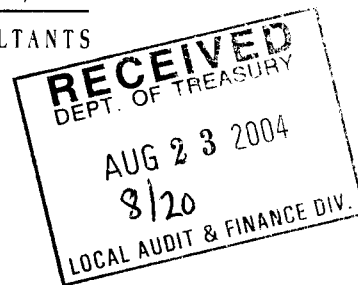
*Current collections include ad valorem taxes collected for and distributed to the Village of Kent City Downtown Development Authority. The following amounts were withheld from the various taxing units as shown and paid to the DDA.

Kent County	\$ 6,623
Grand Rapids Community College	2,227
Tyrone Township:	
Operating	<u>1,251</u>
Total DDA Capture	<u>\$ 10,101</u>

Hungerford, Aldrin,
Nichols & Carter, PC
CPAS AND CONSULTANTS

June 14, 2004

The Township Board
Township of Tyrone
Kent County, Michigan



Shareholders

Clifford A. Aldrin, CPA
Jerry W. Nichols, CPA
Daniel L. Carter, CPA
Richard L. Christman, CPA
Peggy A. Murphy, CPA
Phillip W. Sauman, CPA
Mitchell C. Burgers, CPA
Carla A. Grant, CPA
Thomas C. Prince, CPA

The following comments pertain to our audit of the financial records of Tyrone Township as of and for the year ended March 31, 2004. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Tyrone Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.



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Significant Accounting Policies

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped into two broad fund-type categories as follows:

Governmental Fund Types—The General and Special Revenue Funds are used to allocate Township resources based upon the purpose for which they are to be spent. These funds are accounted for using the modified accrual basis of accounting.

Fiduciary Fund Types—Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other groups. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fixed assets and long-term liabilities are accounted for in account-groups, rather than in the governmental funds.

General Fixed Assets—Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Capital outlays in these funds are included as expenditures in the year of purchase in the purchasing fund and also added to the balance of General Fixed Assets in the Account Group. Since the Township does not maintain a record of General Fixed Assets, a statement of such is not presented.

General Long-Term Debt—Expenditures recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Difficulties Encountered in Performing the Audit

We again spent significant audit fieldwork time this year in reconciling the records for property tax collections and disbursements for the Tax Account Agency Fund. Significant inter-fund and inter-governmental balances remained in the Tax Account at March 31, 2004, instead of being timely paid out as is required by Michigan Department of Treasury regulations.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements. These adjustments, while material in amount, were made in the ordinary course of the completion of our audit, and are comparable in type and amount to those made in previous years.

General Fund

1. \$9,593 and \$9,834 to reverse and accrue prior and current year end taxes receivable.
2. \$2,179 to reverse prior year-end balances in the Tax Account that were due to the General Fund.
3. \$33,751 and \$28,430 to reverse and accrue the year end revenue sharing payment due from the State of Michigan.
4. \$3,973 to reverse property tax administration fees due to Kent County at the prior year end.
5. \$2,299 and \$11,793 to reverse and accrue accounts payable at year end.

Fire Fund

1. \$7,552 and \$7,968 to reverse and accrue prior and current year end taxes receivable.

Passed Audit Adjustments

There were no adjustments proposed during the audit not recorded by Tyrone Township.

Consideration of Fraud in a Financial Statement Audit

The American Institute of Certified Public Accountants issued Statement of Auditing Standards (SAS) Number 99 "Consideration of Fraud in a Financial Statement Audit", effective for all audit periods beginning after December 15, 2002. SAS No. 99 applies to for-profit, non-profit and governmental entities. SAS No. 99 requires auditors to perform additional tests and procedures to obtain assurance that the financial statements are free of material misstatement. Specific tests and procedures required include a pre-audit "brainstorming" session for the auditors, testing of client major revenue sources and journal entries, interviews with client personnel, both in and outside of the business office, and testing of a selection of those revenue/expenditure areas that were considered susceptible to fraud during the discussions and interviews. Our normal audit testing procedures for Tyrone Township's major revenue sources (property taxes and state revenue sharing) and journal entries already met the requirements of SAS No. 99, so there were no additional procedures necessary this year in those major testing areas.

After our brainstorming session and discussions with Township officials we chose the volunteer fire payroll payment process for further testing. We discussed the current process with the clerk and treasurer and separately interviewed the Township Fire Chief to determine how the current safeguards operate to assure that only the proper firemen are being paid for the fire/emergency runs, training sessions and other duties performed for the Township. It appeared that the process in place at the Township is a complete and accurate one, including some important double-checks at critical points in the process, and that the process is operating as intended. We cannot over emphasize the importance of the review and sign-off steps of the process at the fire department level and the continuing oversight responsibility of the Township Board in the review/approval process.

SAS No. 99 suggests that the most effective deterrent to fraud in any organization is the maintenance of a culture of honesty and high ethics, evaluating the risks of fraud and implementing steps to mitigate them, and developing an appropriate oversight process. We encourage the Township Board to pro-actively pursue this policy in the future as, unfortunately, fraud is not as uncommon in the workplace as we would wish it to be.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work and in a separate meeting with the Clerk, Treasurer and Supervisor at the conclusion of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting other suggestions that merit identification and discussion are as follows:

1. The Township (along with all other taxing municipalities in Kent County) is implementing a new in-house property tax billing and administration system for the 2004 summer tax roll, independent of the County system which supported all municipalities in the County for the past many years. This new process involves a significant increase in both Township responsibility for the accuracy and integrity of the data and the level of computer hardware/software knowledge over what was required of the Township previously. It is the entire Township Board's, not just the Treasurer's, responsibility to insure that this new system works properly from start to finish. We urge the Township Board to direct the necessary time and personnel resources to this new process to insure its accuracy and success.

* * * * *

This communication is intended solely for the information and use of the Tyrone Township Board, officers, administration and others within the organization. This restriction is not intended to limit distribution of this report, which is a matter of public record. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Tyrone Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants